

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name WAKEFIELD	County GOGEBIC
Fiscal Year End 6/30/07	Opinion Date 3/4/08	Date Audit Report Submitted to State 3/14/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

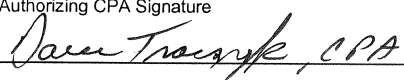
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	items noted in report on internal control	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DAVID TRACZYK CPA		Telephone Number 715-561-3299	
Street Address 327 SILVER STREET		City HURLEY	State WI
		Zip 54534	
Authorizing CPA Signature 		Printed Name DAVID TRACZYK	License Number 1101011098

CITY OF WAKEFIELD, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
June 30, 2007

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# DAVID TRACZYK

## Certified Public Accountant

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### INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the Council  
City of Wakefield, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wakefield Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wakefield, Michigan management. My responsibility is to express an opinion on these statements based on my audit.

Except as indicated in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not maintained adequate records to support the amounts claimed as inventory in the general fund, electric fund, water fund, and sewer fund of \$60,868, \$79,796, \$37,467, and \$444, respectively.

In my opinion, except for the effects, if any, of not being able to verify the inventory of the general fund, electric fund, water fund, sewer fund, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, electric fund, water fund, and sewer fund of the City of Wakefield, Michigan, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major and local street funds, and the aggregate remaining fund information of the City of Wakefield, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Wakefield, Michigan, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements of the City of Wakefield, Michigan, taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Wakefield, Michigan. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 4, 2008, on my consideration of City of Wakefield, Michigan internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

March 4, 2008

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF NET ASSETS  
June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 397,710	\$ 314,707	\$ 712,417
Accounts receivable	13,760	152,418	166,178
Taxes receivable	70,815	-	70,815
Due from other governments	167,437	-	167,437
Internal balances	(201,363)	201,363	-
Deferred charges	37,100	-	37,100
Inventory	60,868	117,707	178,575
Restricted cash	100,996	292,124	393,120
Capital assets:			
Nondepreciable - land	377,331	-	377,331
Depreciable - net	1,114,974	11,872,477	12,987,451
	<u>2,139,628</u>	<u>12,950,796</u>	<u>15,090,424</u>
Total Assets			
<b>LIABILITIES</b>			
Vouchers payable	61,220	79,084	140,304
Accrued interest	-	16,333	16,333
Due to other taxing agencies	75,754	-	75,754
Meter deposits	-	30,288	30,288
Revenue bonds payable	-	4,416,000	4,416,000
Accrued compensated absences	188,131	-	188,131
	<u>325,105</u>	<u>4,541,705</u>	<u>4,866,810</u>
Total Liabilities			
<b>NET ASSETS</b>			
Investments in capital assets, net of related debt	1,492,305	7,440,144	8,932,449
Restricted for debt service	-	230,662	230,662
Restricted for capital projects	100,996	61,462	162,458
Unrestricted	221,222	676,823	898,045
	<u>\$ 1,814,523</u>	<u>\$ 8,409,091</u>	<u>\$ 10,223,614</u>
Total Net Assets			

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 666,315	\$ 42,420	\$ 294,020	\$ -	\$ (329,875)
Public safety	143,681	2,860	-	72,010	(68,811)
Highways and streets	312,061	100	355,586	-	43,625
Public works	73,313	-	-	-	(73,313)
Community services	236,687	159,431	56,295	-	(20,961)
Parks and recreation	82,566	34,695	-	50,000	2,129
Total Governmental Activities	1,514,623	239,506	705,901	122,010	(447,206)
Business-type Activities:					
Electric	969,245	1,018,011	-	87,733	136,499
Water	305,610	246,051	-	-	(59,559)
Sewer	433,990	369,520	-	58,297	(6,173)
Total Business-type Activities	1,708,845	1,633,582	-	146,030	70,767
Total	<u>\$ 3,223,468</u>	<u>\$ 1,873,088</u>	<u>\$ 705,901</u>	<u>\$ 268,040</u>	<u>\$ (376,439)</u>

Changes in Net Assets

	Governmental Activities	Business type Activities	Total
Net (Expense) Revenue	\$ (447,206)	\$ 70,767	\$ (376,439)
General Revenues:			
Property taxes	375,732	-	375,732
Investment income	10,632	13,624	24,256
Miscellaneous	19,875	-	19,875
Transfers	-	-	-
Total General Revenues and Transfers	406,239	13,624	419,863
Changes in Net Assets	(40,967)	84,391	43,424
Net Assets at Beginning of Year	1,855,490	8,324,700	10,180,190
Net Assets at End of Year	<u>\$ 1,814,523</u>	<u>\$ 8,409,091</u>	<u>\$ 10,223,614</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 85,116	\$ 82,093	\$ 177,640	\$ 52,861	\$ 397,710
Accounts receivable	20	-	-	13,740	13,760
Taxes receivable	69,962	-	-	853	70,815
Due from other governments	167,437	-	-	-	167,437
Due from other funds	42,576	241,102	116,284	101,142	501,104
Deferred charges	37,100	-	-	-	37,100
Inventory	60,868	-	-	-	60,868
Restricted cash	100,996	-	-	-	100,996
<b>Total Assets</b>	<b>\$ 564,075</b>	<b>\$ 323,195</b>	<b>\$ 293,924</b>	<b>\$ 168,596</b>	<b>\$ 1,349,790</b>
<b>LIABILITIES</b>					
Vouchers payable	\$ 49,128	\$ 212	\$ 25	\$ 8,822	\$ 58,187
Due to other funds	584,340	91,809	-	141,444	817,593
Due to other taxing agencies	75,754	-	-	-	75,754
<b>Total Liabilities</b>	<b>709,222</b>	<b>92,021</b>	<b>25</b>	<b>150,266</b>	<b>951,534</b>
<b>FUND BALANCES</b>					
Reserved for capital expenditures	100,996	-	-	-	100,996
Unreserved	(246,143)	231,174	293,899	18,330	297,260
<b>Total Fund Balances</b>	<b>(145,147)</b>	<b>231,174</b>	<b>293,899</b>	<b>18,330</b>	<b>398,256</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 564,075</b>	<b>\$ 323,195</b>	<b>\$ 293,924</b>	<b>\$ 168,596</b>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,705,732 1,492,305

Internal service funds are used by management to charge the cost of certain activities, such as fleet management to individual funds. The assets and liabilities of the Internal Service Fund, (net of capital assets) consist of:

Current assets	\$ 178,867	
Current liabilities	\$ 66,774	112,093

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued compensated absences	(188,131)
	<u>\$ 1,814,523</u>

See accompanying notes to basic financial statements.



CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year ended June 30, 2007

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources:					
Property taxes	\$ 375,732	\$ -	\$ -	\$ -	\$ 375,732
Rentals	1,146	-	-	-	1,146
Administration	41,274	-	-	-	41,274
Charges for services	37,555	100	-	159,431	197,086
Interest	3,772	1,922	2,895	2,043	10,632
Other	14,244	5,000	-	631	19,875
Intermediate sources	13,745	-	-	54,435	68,180
State sources	330,275	260,887	94,699	1,860	687,721
Federal sources	72,010	-	-	-	72,010
	889,753	267,909	97,594	218,400	1,473,656
Expenditures:					
General Government	603,941	-	-	-	603,941
Public safety	124,423	-	-	-	124,423
Highways & streets	27,506	185,631	88,368	-	301,505
Public works	73,027	-	-	-	73,027
Community services	-	-	-	233,029	233,029
Parks and recreation	70,232	-	-	-	70,232
Capital outlay	219,028	-	-	-	219,028
	1,118,157	185,631	88,368	233,029	1,625,185
Excess of Revenues over (under) Expenditures	(228,404)	82,278	9,226	(14,629)	(151,529)
Other Financing Sources (Uses):					
Transfers in	-	-	54,776	51,035	105,811
Transfers (out)	(51,035)	(54,776)	-	-	(105,811)
	(51,035)	(54,776)	54,776	51,035	-
Net Change in Fund Balances	(279,439)	27,502	64,002	36,406	(151,529)
Fund balance at beginning of year	134,292	203,672	229,897	(18,076)	549,785
Fund balance at end of year	\$ (145,147)	\$ 231,174	\$ 293,899	\$ 18,330	\$ 398,256

(Continued)

See accompanying notes to basic financial statements.

(Continued)

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$	(151,529)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	219,028	
Depreciation expense	<u>(56,668)</u>	162,360

Internal service fund expenses in excess of costs allocated to individual funds:

Total expenses	183,112	
Allocated expenses	<u>149,243</u>	(33,869)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	<u>(17,929)</u>
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Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(40,967)</u>
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See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Sources:				
Property taxes	\$ 378,529	\$ 378,529	\$ 375,732	\$ (2,797)
Rentals	4,800	4,800	1,146	(3,654)
Administration	44,950	44,950	41,274	(3,676)
Charges for services	32,800	32,800	37,555	4,755
Interest	2,000	2,000	3,772	1,772
Other	2,500	2,500	14,244	11,744
Intermediate sources	8,495	8,495	13,745	5,250
State sources	336,613	336,613	330,275	(6,338)
Federal sources	-	-	72,010	72,010
	<u>810,687</u>	<u>810,687</u>	<u>889,753</u>	<u>79,066</u>
Expenditures:				
General Government	472,336	472,336	603,941	(131,605)
Public safety	113,139	113,139	124,423	(11,284)
Highways & streets	22,440	22,440	27,506	(5,066)
Public Works	69,100	69,100	73,027	(3,927)
Parks and recreation	54,300	54,300	70,232	(15,932)
Capital outlay	60,000	60,000	219,028	(159,028)
	<u>791,315</u>	<u>791,315</u>	<u>1,118,157</u>	<u>(326,842)</u>
Excess of Revenues over (under) Expenditures	19,372	19,372	(228,404)	(247,776)
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(41,813)	(41,813)	(51,035)	(9,222)
	<u>(41,813)</u>	<u>(41,813)</u>	<u>(51,035)</u>	<u>(9,222)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other (Uses)	(22,441)	(22,441)	(279,439)	(256,998)
Fund balance at beginning of year	<u>134,292</u>	<u>134,292</u>	<u>134,292</u>	<u>-</u>
Fund balance at end of year	<u>\$ 111,851</u>	<u>\$ 111,851</u>	<u>\$ (145,147)</u>	<u>\$ (256,998)</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
ASSETS	Electric	Water	Sewer	Total	
<b>CURRENT ASSETS:</b>					
Cash	\$ 196,604	\$ 61,003	\$ 57,100	\$ 314,707	\$ -
Accounts receivable	90,141	24,847	37,430	152,418	-
Due from other funds	225,973	74,040	363	300,376	178,867
Inventory	79,796	37,467	444	117,707	-
<b>Total Current Assets</b>	<b>592,514</b>	<b>197,357</b>	<b>95,337</b>	<b>885,208</b>	<b>178,867</b>
<b>RESTRICTED ASSETS:</b>					
Cash	-	-	292,124	292,124	-
<b>Total Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>292,124</b>	<b>292,124</b>	<b>-</b>
<b>NONCURRENT ASSETS:</b>					
Property, plant, and equipment - net	701,927	767,278	10,403,272	11,872,477	147,837
<b>Total Noncurrent Assets</b>	<b>701,927</b>	<b>767,278</b>	<b>10,403,272</b>	<b>11,872,477</b>	<b>147,837</b>
<b>Total Assets</b>	<b>1,294,441</b>	<b>964,635</b>	<b>10,790,733</b>	<b>13,049,809</b>	<b>326,704</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES:</b>					
Vouchers payable	67,842	8,554	2,688	79,084	1,897
Accrued interest	-	-	16,333	16,333	3,033
Due to other funds	-	97,433	1,580	99,013	294,434
Current portion of bonds	-	-	60,000	60,000	63,741
<b>Total Current Liabilities</b>	<b>67,842</b>	<b>105,987</b>	<b>80,601</b>	<b>254,430</b>	<b>363,105</b>
<b>NONCURRENT LIABILITIES:</b>					
Meter deposits	20,523	9,765	-	30,288	-
Revenue bonds payable	-	-	4,356,000	4,356,000	-
<b>Total Noncurrent Liabilities</b>	<b>20,523</b>	<b>9,765</b>	<b>4,356,000</b>	<b>4,386,288</b>	<b>-</b>
<b>Total Liabilities</b>	<b>88,365</b>	<b>115,752</b>	<b>4,436,601</b>	<b>4,640,718</b>	<b>363,105</b>
<b>NET ASSETS</b>					
Investments in capital assets, net of related debt	701,927	767,278	5,970,939	7,440,144	147,837
Restricted for debt service	-	-	230,662	230,662	-
Restricted for capital projects	-	-	61,462	61,462	-
Unrestricted	504,149	81,605	91,069	676,823	112,093
<b>Total Net Assets</b>	<b>\$ 1,206,076</b>	<b>\$ 848,883</b>	<b>\$ 6,354,132</b>	<b>\$ 8,409,091</b>	<b>\$ 259,930</b>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year ended June 30, 2007

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Sewer	Total	
Operating Revenues:					
Charges for services	\$ 1,006,948	\$ 238,551	\$ 369,520	\$ 1,615,019	\$ -
Rentals	11,063	7,500	-	18,563	149,243
Total Operating Revenue	1,018,011	246,051	369,520	1,633,582	149,243
Operating Expenses:					
Operations	218,213	243,338	99,798	561,349	129,820
Administration	22,549	21,880	6,593	51,022	-
Electric power purchased	685,510	-	-	685,510	-
Depreciation	42,973	40,392	126,484	209,849	53,292
Total Operating Expenses	969,245	305,610	232,875	1,507,730	183,112
Operating Income (Loss)	48,766	(59,559)	136,645	125,852	(33,869)
Non-operating revenue (expenses):					
Interest income	3,897	2,089	7,638	13,624	-
Interest expense	-	-	(201,115)	(201,115)	-
Total non-operating revenues (expenses)	3,897	2,089	(193,477)	(187,491)	-
Net Income Before Contributions and Transfers	52,663	(57,470)	(56,832)	(61,639)	(33,869)
Capital contributions	87,733	-	58,297	146,030	-
Operating transfers:					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Net transfers	-	-	-	-	-
Change in Net Assets	140,396	(57,470)	1,465	84,391	(33,869)
Net Assets at Beginning of Year	1,065,680	906,353	6,352,667	8,324,700	293,799
Net Assets at End of Year	\$ 1,206,076	\$ 848,883	\$ 6,354,132	\$ 8,409,091	\$ 259,930

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended June 30, 2007

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Sewer	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 998,496	\$ 241,944	\$ 371,441	\$ 1,611,881	\$ -
Payments to suppliers	(752,590)	(151,610)	(45,806)	(950,006)	(79,283)
Payments to employees	(175,839)	(111,616)	(59,421)	(346,876)	(50,537)
Internal activity - payment from (to) other funds	(128,567)	20,576	(27,298)	(135,289)	129,820
<b>Net Cash Provided by Operating Activities</b>	<b>(58,500)</b>	<b>(706)</b>	<b>238,916</b>	<b>179,710</b>	<b>-</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from (to) other funds	-	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	87,733	-	58,297	146,030	-
Purchase of capital assets	(111,924)	-	(65,275)	(177,199)	-
Principal paid on capital debt	-	-	(58,000)	(58,000)	-
Interest paid on capital debt	-	-	(201,330)	(201,330)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(24,191)</b>	<b>-</b>	<b>(266,308)</b>	<b>(290,499)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of investments	-	-	-	-	-
Interest income	3,897	2,089	7,638	13,624	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>3,897</b>	<b>2,089</b>	<b>7,638</b>	<b>13,624</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(78,794)</b>	<b>1,383</b>	<b>(19,754)</b>	<b>(97,165)</b>	<b>-</b>
<b>Balances - Beginning of Year</b>	<b>275,398</b>	<b>59,620</b>	<b>368,978</b>	<b>703,996</b>	<b>-</b>
<b>Balances - End of Year</b>	<b>\$ 196,604</b>	<b>\$ 61,003</b>	<b>\$ 349,224</b>	<b>\$ 606,831</b>	<b>\$ -</b>
 Cash, including time deposits	 \$ 196,604	 \$ 61,003	 \$ 57,100	 \$ 314,707	 \$ -
Restricted cash, including time deposits	-	-	292,124	292,124	-
<b>Total Cash and Cash Equivalents, End of Year</b>	<b>\$ 196,604</b>	<b>\$ 61,003</b>	<b>\$ 349,224</b>	<b>\$ 606,831</b>	<b>\$ -</b>

(Continued)

See accompanying notes to basic financial statements.

(Continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ 48,766	\$ (59,559)	\$ 136,645	\$ 125,852	\$ (33,869)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	42,973	40,392	126,484	209,849	53,292
Change in assets and liabilities:					
Receivables	(19,782)	(4,259)	1,921	(22,120)	-
Due from other funds	(114,293)	(10,086)	(363)	(124,742)	210,134
Inventory	(14,516)	(2,942)	-	(17,458)	-
Vouchers payable	12,359	4,934	1,164	18,457	1,136
Due to other funds	(14,274)	30,662	(26,935)	(10,547)	(230,693)
Meter deposits	267	152	-	419	-
Net Cash Provided by Operating Activities	<u>\$ (58,500)</u>	<u>\$ (706)</u>	<u>\$ 238,916</u>	<u>\$ 179,710</u>	<u>\$ -</u>

Noncash investing, capital and financing activities:

None

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT

The City of Wakefield, Michigan (the "City") operates under a Council – Manager Form of government as authorized by its charter.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on this criteria, the City has no component units.

BASIS OF PRESENTATION

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes. Intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:



## NOTES TO FINANCIAL STATEMENTS (continued)

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

### **Governmental Funds**

#### *General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

#### *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

### **Proprietary Funds**

#### *Enterprise Funds*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

### **Internal Service Fund**

The City's internal service fund is used to account for the financing of fleet management services. These services are provided to the various funds of the City on a cost reimbursement basis.

## NOTES TO FINANCIAL STATEMENTS (continued)

### Major and Nonmajor Funds

The governmental and enterprise funds of the City are further classified as major and nonmajor funds as follows:

Fund	Brief Description
<b>MAJOR FUNDS</b>	
1. General	See above for description.
Special Revenue:	
2. Major Street	Account for revenues and expenditures of major street system.
3. Local Street	Account for revenues and expenditures of local street system.
Enterprise:	
4. Electric	Account for revenues and expenses of providing electric service to the public.
5. Water	Account for revenues and expenses of providing water service to the public.
6. Sewer	Account for revenues and expenses of providing sewer service to the public.
<b>NONMAJOR FUNDS</b>	
Special Revenue:	
7. Building Inspector	Account for revenues and expenditures of building inspection services.
8. Library	Account for revenues and expenditures of operating the library.
9. Cemetery	Account for revenues and expenditures of operating the cemetery.
10. Garbage	Account for revenues and expenditures of providing garbage services to the public.

### Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

## NOTES TO FINANCIAL STATEMENTS (continued)

### **Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### **ASSETS, LIABILITIES, AND EQUITY**

#### **Cash and Investments**

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

#### **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note F for details of interfund transactions, including receivables and payables at year-end.

## NOTES TO FINANCIAL STATEMENTS (continued)

### **Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax and grants and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

### **Inventories**

The inventories of the City's general fund and enterprise funds consist of supplies and are recorded at the lower of cost or estimated value.

### **Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

#### *Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

-Buildings	25-30 years
-Improvements	10-50 years
-Machinery and Equipment	03-20 years
-Utility System	25-50 years
-Infrastructure	25-75 years

#### *Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

## NOTES TO FINANCIAL STATEMENTS (continued)

### **Restricted Assets**

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital projects and debt retirement.

### **Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

### **Compensated Absences**

The City's policies regarding vacation time and sick leave permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term in the government-wide statements. In the fund financial statements, the liability is reported as it is incurred.

### **Equity Classifications**

#### *Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### *Fund Statement*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note E for additional disclosures.

## **REVENUES, EXPENDITURES, AND EXPENSES**

### **Property Tax**

Property tax revenue should be recognized in accordance with MCGAA Statement 3. Properties are assessed and lienied as of December 31 and their related property taxes are billed on December 1 or July 1 of the following year. These taxes are due on February 14, or August 31 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

### **Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and /or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

### **Expenditures/Expenses**

In government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds--By Character:

Current (further classified by function)  
Debt Service  
Capital Outlay

Proprietary Fund--By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

### **Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

## **BUDETARY CONTROL**

The City follows the following procedures in establishing budgets as reflected in the financial statements:

1. Prior to June 1<sup>st</sup>, the City Manager submits a proposed budget to the Council with covers all funds operated by the City commencing the following July 1<sup>st</sup>, the proposed expenditures and the means of financing them.
2. At least one public hearing is conducted by the City to obtain taxpayer comments and review the proposed budget in detail.
3. In June, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter any item of the budget are approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles.

Presented budgeted amounts presented are as originally adopted on June 12, 2006, or as amended by action of the Council. There were no amendments to the 2006-07 budget.

## NOTES TO FINANCIAL STATEMENTS (continued)

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE B – COMPLIANCE

The City ended the year with accumulated fund deficits in the following funds:

General Fund	\$ 145,147
Library Fund	9,713
Cemetery Fund	2,290

The city plans to eliminate these deficits by reducing expenses and increasing revenues in the respective funds.

In addition, the City exceeded budgeted expenditures in the following funds:

General Fund	\$ 326,842
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### NOTE C - BALANCE SHEET--CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Local Unit Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the three highest classifications by not less than two standard ratings services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Local Unit's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year-end are as follows:

Bank Balance	
Deposits	Total
Insured (FDIC)	\$ 200,000
Uninsured	<u>1,111,395</u>
	<u>\$ 1,311,395</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE D - ALLOWANCE FOR RECEIVABLES

The City records the receivables net of the allowance for uncollectibles. The amounts reflected as of June 30, 2007, include the following amounts with allowances for uncollectibles:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General	\$ 87,823	\$ 17,841	\$ 69,982
Garbage	13,740	-	13,740
Electric	90,141	-	90,141
Water	24,847	-	24,847
Sewer	37,430	-	37,430

The allowance is established, as accounts are deemed uncollectible. Delinquent personal property taxes are deemed uncollectible at rates of 10%, 40%, 70%, and 100% when they become 1, 2, 3, and 4 or more years delinquent respectively.

NOTE E - RESTRICTED ASSETS

The assets consist of the following cash and short-term investments:

General Fund

The fund balance has been reserved and restricted funds have been established for capital expenditures as follows:

Cash in bank    \$ 100,996



NOTES TO FINANCIAL STATEMENTS (continued)

Sewer Fund

In connection with construction and financing of a sewer system capital improvement project, the following restricted bank accounts have been established:

	Balance at <u>June 30, 2007</u>
1. Bond and Interest Redemption Fund To receive sewer assessment funds designated to be used solely for the retirement of revenue bonds and related interest charges.	33,463
2. Bond Reserve Account To receive a minimum of \$26,000 per year, commencing July 1, 2000 until a balance of \$ 260,000 is achieved. These funds shall be used solely for the payment of bond principal and interest as to which these would otherwise be default.	197,199
3. Repair, Replacement, and Improvement To receive a minimum of \$26,000 per year, commencing July 1, 2000, less the amount deposited into the bond reserve account. These funds shall be used only for the repair, replacement, or improvement to the sewer system. If necessary, these funds can also be used for payment of bond principal and interest.	61,462
	<hr/> <u>\$ 292,124</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - INTERFUND ACTIVITIES

The amounts of interfund receivables and payables at June 30, 2007, were as follows:

Receivable		Payable	
<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
General	\$ 42,576	Cemetery	35,821
		Motor Pool	6,755
			<u>42,576</u>
Library	10,651	General	10,651
Electric	225,973	General	95,902
		Water	97,433
		Motor Pool	32,638
			<u>225,973</u>
Water	74,040	General	57,369
		Motor Pool	16,671
			<u>74,040</u>
Sewer	363	General	363
Garbage	90,491	General	90,491
Motor Pool	178,867	Sewer	1,580
		Garbage	66,478
		Cemetery	19,145
		Major Street	91,664
			<u>178,867</u>
Major Street	241,102	General	221,102
		Library	20,000
			<u>241,102</u>
Local Street	<u>116,284</u>	General	108,462
		Motor Pool	7,677
		Major Street	145
			<u>116,284</u>
	<u>\$ 980,347</u>		<u>\$ 980,347</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F- INTERFUND ACTIVITIES (continued)

Operating transfers between the various funds of the City for the year ended June 30, 2007, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Cemetery	\$ 13,113	General	\$ 13,113
Building Inspector	7,841	General	7,841
Library	30,081	General	30,081
Local Street	<u>54,776</u>	Major Street	<u>54,776</u>
	<u>\$ 105,811</u>		<u>\$ 105,811</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - PROPERTY, PLANT, AND EQUIPMENT

The detailed balances of major classes of assets of the proprietary funds by nature and function are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<u>Enterprise Funds</u>				
Electric Fund:				
Substation	\$ 266,594	\$ -	\$ -	\$ 266,594
Warehouse	224,090	-	-	224,090
Miscellaneous	18,141	-	-	18,141
Meters	49,119	-	-	49,119
Operations	259,980	-	-	259,980
Street Lights	48,256	-	-	48,256
Transformers	62,459	-	-	62,459
Lines	282,953	111,924	-	394,877
Service	108,914	-	-	108,914
	<u>1,320,506</u>	<u>111,924</u>	<u>-</u>	<u>1,432,430</u>
Water Fund:				
Equipment	804,932	-	-	804,932
Meters	28,773	-	-	28,773
Service	32,954	-	-	32,954
Distribution	415,229	-	-	415,229
Hydrants	24,251	-	-	24,251
Reservoir	54,017	-	-	54,017
	<u>1,360,156</u>	<u>-</u>	<u>-</u>	<u>1,360,156</u>
Sewer Fund:				
Construction in progress	10,553,481	65,275	-	10,618,756
Collection	636,907	-	-	636,907
Lift Station	833	-	-	833
Catch Basins	20,087	-	-	20,087
Lagoon	166,515	-	-	166,515
Services	13,791	-	-	13,791
Equipment	1,469	-	-	1,469
	<u>11,393,083</u>	<u>65,275</u>	<u>-</u>	<u>11,458,358</u>
Accumulated Depreciation:				
Electric Fund	687,530	42,973	-	730,503
Water Fund	552,486	40,392	-	592,878
Sewer Fund	928,602	126,484	-	1,055,086
	<u>2,168,618</u>	<u>209,849</u>	<u>-</u>	<u>2,378,467</u>
<u>Internal Service Fund</u>				
Equipment	\$ 1,442,266	\$ -	\$ -	\$ 1,442,266
Accumulated Depreciation	1,241,137	53,292	-	1,294,429

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - PROPERTY, PLANT, AND EQUIPMENT (continued)

A summary of changes in the general fixed assets is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Land	\$ 377,331	\$ -	\$ -	\$ 377,331
Buildings	621,488	-	-	621,488
Improvements	783,800	147,018	-	930,818
Equipment	519,338	72,010	-	591,348
Infrastructure	<u>234,786</u>	<u>-</u>	<u>-</u>	<u>234,786</u>
	\$ 2,536,743	\$ 219,028	\$ -	\$ 2,755,771

Accumulated Depreciation:

Land	-	-	-	-
Buildings	500,560	6,365	-	506,925
Improvements	405,518	27,579	-	433,097
Equipment	446,992	19,594	-	466,586
Infrastructure	<u>1,565</u>	<u>3,130</u>	<u>-</u>	<u>4,695</u>
	\$ 1,354,635	\$ 56,668	\$ -	\$ 1,411,303

Depreciation expense was charged to governmental activities as follows:

General government	10,576
Public safety	19,258
Highways and streets	10,556
Public works	286
Community services	3,658
Parks and recreation	<u>12,334</u>
	<u>\$ 56,668</u>

## NOTES TO FINANCIAL STATEMENTS (continued)

### NOTE G - PROPERTY, PLANT, AND EQUIPMENT (continued)

The general fixed assets as of June 30, 2007, are distributed in the following locations:

	Land	Buildings	Improvements other than Buildings	Equipment	Infrastructure	Total
Public Land	\$ 377,331	\$ -	\$ -	\$ -	\$ -	\$ 377,331
City Buildings	-	357,572	264,400	101,222	-	723,194
Public Works	-	27,490	7,142	99,689	-	134,321
City property	-	24,758	-	4,428	-	29,186
Fire Department	-	58,427	-	343,338	-	401,765
Library	-	46,658	-	12,187	-	58,845
Police Department	-	-	-	22,121	-	22,121
Cemetery	-	-	35,921	5,088	-	41,009
Park	-	106,583	251,472	3,275	-	361,330
Industrial Park	-	-	371,319	-	-	371,319
Landfill	-	-	564	-	-	564
Highways and Streets	-	-	-	-	234,786	234,786
	\$ 377,331	\$ 621,488	\$ 930,818	\$ 591,348	\$ 234,786	\$ 2,755,771

### NOTE H - COMPENSATED ABSENCES

Employees earn one day of sick leave per month with no maximum accumulation. Upon retirement, employees are entitled to payment (calculated with regard to years of service) for up to a maximum of 120 days, of unused sick leave. The estimated value of unrecorded sick leave at June 30, 2007, was \$146,669.

In addition, employees earn vacation in amounts that vary with the length of service. The employees are required to use their vacation annually, from the initial date of employment. As of June 30, 2007, unused vacation pay amounted to \$41462.

### NOTE I - EMPLOYEE RETIREMENT PLAN

The City is a participating member of the Michigan Municipal Employees Retirement System (MERS) which covers substantially all of the City employees. The plan requires employees' contributions equal to specified percentages of earnings and the City makes annual contributions to the plan equal to the amounts accrued for pension expense. Detailed information concerning the plan was not available, accordingly, various disclosures, required by GASB Statement No.25 and No. 27, are not included herein.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE J – SUMMARY OF CHANGES IN LONG-TERM DEBT

A summary of changes in the City's long-term debt is as follows:

The general long-term debt of the City consists of the following sewage disposal system revenue and revenue refunding bonds:

	Balance June 30, 2006	Additions	Retired	Balance June 30, 2007	Amount due within 1 year
Sewage Disposal System Revenue and Revenue Refunding Bonds	\$ 4,474,000	\$ -	\$ 58,000	\$ 4,416,000	\$ 60,000
Compensated Absences	170,202	10,929	-	181,131	-
	<u>\$ 4,644,202</u>	<u>\$ 10,929</u>	<u>\$ 58,000</u>	<u>\$ 4,597,131</u>	<u>\$ 60,000</u>

Date of issue – May 22, 2000

Amount of original issue - \$ 4,773,000 (Series A \$ 4,525,000, Series B \$ 248,000)

Outstanding at June 30, 2007 - \$ 4,416,000

Interest rate - 4.5%

Interest dates – June 1 and December 1

The repayment schedule is as follows:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 60,000	\$ 198,720	\$ 258,720
2009	63,000	196,020	259,020
2010	66,000	193,185	259,185
2011	68,000	190,215	258,215
2012	73,000	187,145	260,145
2013-2017	412,000	883,925	1,295,925
2017-2022	515,000	782,370	1,297,370
2023-2027	640,000	655,695	1,295,695
2028-2032	800,000	497,880	1,297,880
2033-2037	997,000	300,915	1,297,915
2038-2040	722,000	66,330	788,330
	<u>\$ 4,416,000</u>	<u>\$ 4,152,400</u>	<u>\$ 8,568,400</u>

NOTE K – SEWER PROJECT

In November of 1992, the City established a Capital Improvement fund to account for the funding and costs of a sewer construction project which cost \$20,840,784. The project was substantially completed on July 1, 2002, and the Capital Improvement Fund was combined into the Sewer Fund. Depreciation of the costs began on July 1, 2002, at the rate of 1% per year. As of June 30, 2007, the detailed asset costs, individual useful lives, and abandoned or replaced assets have not been determined.

## NOTES TO FINANCIAL STATEMENTS (continued)

### NOTE L – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained coverage from a commercial insurance company. The City has comprehensive general liability coverage and has obtained worker' compensation coverage.

All risk management activities are accounted for in the financial statements of the City. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2007, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### NOTE M – COMMITMENTS AND CONTINGENCIES

In normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of that is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.



## OTHER FINANCIAL INFORMATION

CITY OF WAKEFIELD, MICHIGAN  
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2007  
Special Revenue Funds

	Building Inspector Fund	Library Fund	Cemetery Fund	Garbage Fund	Totals Other Governmental Funds
<b>ASSETS</b>					
Cash	\$ -	\$ 14	\$ 52,847	\$ -	\$ 52,861
Accounts receivable	-	-	-	13,740	13,740
Taxes receivable	-	-	-	853	853
Due from other governments	-	-	-	-	-
Due from other funds	-	10,651	-	90,491	101,142
	<u>\$ -</u>	<u>\$ 10,665</u>	<u>\$ 52,847</u>	<u>\$ 105,084</u>	<u>\$ 168,596</u>
<b>LIABILITIES</b>					
Vouchers payable	\$ -	\$ 378	\$ 171	\$ 8,273	\$ 8,822
Due to other funds	-	20,000	54,966	66,478	141,444
	-	20,378	55,137	74,751	150,266
<b>EQUITY</b>					
Fund balance (deficit):					
Unreserved	-	(9,713)	(2,290)	30,333	18,330
	<u>-</u>	<u>(9,713)</u>	<u>(2,290)</u>	<u>30,333</u>	<u>18,330</u>
	<u>\$ -</u>	<u>\$ 10,665</u>	<u>\$ 52,847</u>	<u>\$ 105,084</u>	<u>\$ 168,596</u>

CITY OF WAKEFIELD, MICHIGAN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 Year ended June 30, 2007

	Special Revenue Funds				Total Other Governmental Funds
	Building Inspector Fund	Library Fund	Cemetery Fund	Garbage Fund	
Revenues:					
Local sources:					
Charges for services	\$ -	\$ 1,282	\$ 15,399	\$ 142,750	\$ 159,431
Interest	-	68	1,975	-	2,043
Other	-	631	-	-	631
Intermediate sources	-	20,635	4,550	29,250	54,435
State sources	-	1,860	-	-	1,860
	-	24,476	21,924	172,000	218,400
Expenditures:					
Community services	-	55,889	24,214	152,926	233,029
	-	55,889	24,214	152,926	233,029
Excess of Revenues over (under) expenditures	-	(31,413)	(2,290)	19,074	(14,629)
Other Financing Sources (Uses):					
Operating transfers in	7,841	30,081	13,113	-	51,035
Operating transfers (out)	-	-	-	-	-
	7,841	30,081	13,113	-	51,035
Excess of Revenues and Other Sources over (under) expenditures and other uses	7,841	(1,332)	10,823	19,074	36,406
Fund balance - beginning of year (deficit)	(7,841)	(8,381)	(13,113)	11,259	(18,076)
Fund Balance - end of year	\$ -	\$ (9,713)	\$ (2,290)	\$ 30,333	\$ 18,330

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUE - BUDGET AND ACTUAL  
GENERAL FUND  
Year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Local Sources:				
Property taxes	\$ 378,529	\$ 378,529	\$ 375,732	\$ (2,797)
Rentals	4,800	4,800	1,146	(3,654)
Administration	44,950	44,950	41,274	(3,676)
Park income	32,800	32,800	34,695	1,895
Building permits	-	-	2,860	2,860
Interest income	2,000	2,000	3,772	1,772
Sale of assets	-	-	6,557	6,557
Other	2,500	2,500	7,687	5,187
	465,579	465,579	473,723	8,144
Intermediate sources:				
Township services	8,495	8,495	13,745	5,250
State sources:				
Sales tax	284,153	284,153	274,383	(9,770)
Park grant	50,000	50,000	50,000	-
Other	2,460	2,460	5,892	3,432
	336,613	336,613	330,275	(6,338)
Federal sources:				
Homeland Security grant	-	-	72,010	72,010
	\$ 810,687	\$ 810,687	\$ 889,753	\$ 79,066

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
Year ended June 30, 2007

	Budget		Actual	Variance with Final
	Original	Final	Amounts	Budget Positive (Negative)
General government:				
Mayor and council	\$ 8,000	\$ 8,000	\$ 6,894	\$ 1,106
Clerk	56,800	56,800	47,634	9,166
Code enforcement	2,500	2,500	2,114	386
Manager	62,300	62,300	65,764	(3,464)
Elections	4,300	4,300	7,199	(2,899)
Assessing	13,000	13,000	12,522	478
Attorney	8,000	8,000	20,083	(12,083)
Audit	10,000	10,000	19,000	(9,000)
Board or review	1,475	1,475	1,210	265
Treasurer	70,700	70,700	101,203	(30,503)
City buildings	34,000	34,000	33,541	459
Insurance	47,170	47,170	46,823	347
Fringe benefits	131,812	131,812	220,005	(88,193)
Other	22,279	22,279	19,949	2,330
	472,336	472,336	603,941	(131,605)
Public safety:				
Police	84,639	84,639	84,492	147
Fire	28,500	28,500	34,357	(5,857)
Building inspector	-	-	5,574	(5,574)
	113,139	113,139	124,423	(11,284)
Highways and streets:				
Street lighting	22,440	22,440	27,506	(5,066)
Public works:				
Garage and warehouse	52,100	52,100	58,272	(6,172)
Administration	17,000	17,000	14,755	2,245
	69,100	69,100	73,027	(3,927)
Parks and recreation	54,300	54,300	70,232	(15,932)
Capital outlay	60,000	60,000	219,028	(159,028)
	<u>\$ 791,315</u>	<u>\$ 791,315</u>	<u>\$ 1,118,157</u>	<u>\$ (326,842)</u>

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
BUILDING INSPECTOR FUND  
Year ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Building permits	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
	2,000	2,000	-	(2,000)
Expenditures:				
Community services:				
Contract service	5,500	5,500	-	5,500
Miscellaneous	500	500	-	500
	6,000	6,000	-	6,000
Excess of Revenues over (under) Expenditures	(4,000)	(4,000)	-	4,000
Other Financing Sources (Uses):				
Operating transfers in	4,000	4,000	7,841	3,841
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	7,841	7,841
Fund balance (deficit) at beginning of year	(7,841)	(7,841)	(7,841)	-
Fund balance at end of year	<u>\$ (7,841)</u>	<u>\$ (7,841)</u>	<u>\$ -</u>	<u>\$ 7,841</u>

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
LIBRARY FUND  
Year ended June 30, 2007

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Local sources:				
Charges for service	\$ 1,800	\$ 1,800	\$ 1,282	\$ (518)
Interest	100	100	68	(32)
Other	100	100	631	531
	2,000	2,000	1,981	(19)
Intermediate sources:				
County penal fines	19,000	19,000	18,365	(635)
Township services	2,120	2,120	2,270	150
	21,120	21,120	20,635	(485)
State sources:				
State aid	2,570	2,570	1,860	(710)
	25,690	25,690	24,476	(1,214)
Expenditures:				
Community services:				
Payroll	49,403	49,403	42,915	6,488
Supplies	500	500	457	43
Utilities	1,500	1,500	1,808	(308)
Administration	3,600	3,600	2,589	1,011
Additions and betterments	1,500	1,500	1,366	134
Books	5,000	5,000	5,369	(369)
Periodicals	500	500	424	76
Memberships	1,500	1,500	961	539
	63,503	63,503	55,889	7,614
Excess of Revenues over (under) Expenditures	(37,813)	(37,813)	(31,413)	6,400
Other Financing Sources (Uses):				
Operating transfers in	37,813	37,813	30,081	(7,732)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	(1,332)	(1,332)
Fund balance at beginning of year	(8,381)	(8,381)	(8,381)	-
Fund balance at end of year	\$ (8,381)	\$ (8,381)	\$ (9,713)	\$ (1,332)

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MAJOR STREET FUND  
Year ended June 30, 2007

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Local sources:				
Charges for services	\$ -	\$ -	\$ 100	100
Interest	2,000	2,000	1,922	(78)
Other	-	-	5,000	5,000
	<u>2,000</u>	<u>2,000</u>	<u>7,022</u>	<u>5,022</u>
State sources:				
Gas and weight tax	208,202	208,202	219,102	10,900
Trunkline maintenance	34,425	34,425	26,299	(8,126)
Other state grants	5,000	5,000	15,486	10,486
	<u>247,627</u>	<u>247,627</u>	<u>260,887</u>	<u>13,260</u>
Federal sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>249,627</u>	<u>249,627</u>	<u>267,909</u>	<u>18,282</u>
Expenditures:				
Highways and streets:				
Construction	-	-	23,686	(23,686)
Routine maintenance	63,650	63,650	20,284	43,366
Traffic services	2,600	2,600	-	2,600
Snow and ice removal	76,500	76,500	107,661	(31,161)
Administrative	19,000	19,000	5,908	13,092
State trunkline maintenance	34,325	34,325	28,092	6,233
	<u>196,075</u>	<u>196,075</u>	<u>185,631</u>	<u>10,444</u>
Excess of Revenues over (under) Expenditures	53,552	53,552	82,278	28,726
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	<u>(51,719)</u>	<u>(51,719)</u>	<u>(54,776)</u>	<u>(3,057)</u>
	<u>(51,719)</u>	<u>(51,719)</u>	<u>(54,776)</u>	<u>(3,057)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	1,833	1,833	27,502	25,669
Fund balance at beginning of year	<u>203,672</u>	<u>203,672</u>	<u>203,672</u>	<u>-</u>
Fund balance at end of year	<u>\$ 205,505</u>	<u>\$ 205,505</u>	<u>\$ 231,174</u>	<u>\$ 25,669</u>



CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
LOCAL STREET FUND  
Year ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Charges for services	\$ -	\$ -	\$ -	-
Interest	1,000	1,000	2,895	1,895
	1,000	1,000	2,895	1,895
State sources:				
Gas and weight tax	83,165	83,165	88,549	5,384
Other	2,000	2,000	6,150	4,150
	85,165	85,165	94,699	9,534
Federal sources	-	-	-	-
	86,165	86,165	97,594	11,429
Expenditures:				
Highways and streets:				
Construction	3,400	3,400	4,255	(855)
Routine maintenance	43,510	43,510	19,663	23,847
Traffic services	1,400	1,400	262	1,138
Snow and ice removal	42,500	42,500	59,244	(16,744)
Administrative	32,612	32,612	4,944	27,668
	123,422	123,422	88,368	35,054
Excess of Revenues over (under) Expenditures	(37,257)	(37,257)	9,226	46,483
Other Financing Sources (Uses):				
Operating transfers in	51,719	51,719	54,776	3,057
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	14,462	14,462	64,002	49,540
Fund balance at beginning of year	229,897	229,897	229,897	-
Fund balance at end of year	<u>\$ 244,359</u>	<u>\$ 244,359</u>	<u>\$ 293,899</u>	<u>\$ 49,540</u>

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CEMETERY FUND  
Year ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Grave openings	\$ 10,000	\$ 10,000	\$ 9,749	\$ (251)
Mausoleum storage	-	-	225	225
Perpetual care	2,000	2,000	2,825	825
Lot use	2,000	2,000	2,600	600
Interest	500	500	1,975	1,475
	<u>14,500</u>	<u>14,500</u>	<u>17,374</u>	<u>2,874</u>
Intermediate sources:				
Township services	<u>4,390</u>	<u>4,390</u>	<u>4,550</u>	<u>160</u>
	<u>18,890</u>	<u>18,890</u>	<u>21,924</u>	<u>3,034</u>
Expenditures:				
Community services:				
Payroll	15,000	15,000	21,603	(6,603)
Supplies and repairs	6,500	6,500	866	5,634
Administration	1,800	1,800	1,650	150
Rental	<u>4,000</u>	<u>4,000</u>	<u>95</u>	<u>3,905</u>
	<u>27,300</u>	<u>27,300</u>	<u>24,214</u>	<u>3,086</u>
Excess of Revenues over (under) Expenditures	(8,410)	(8,410)	(2,290)	6,120
Other Financing Sources (Uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>13,113</u>	<u>13,113</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(8,410)	(8,410)	10,823	19,233
Fund balance at beginning of year	<u>(13,113)</u>	<u>(13,113)</u>	<u>(13,113)</u>	<u>-</u>
Fund balance at end of year	<u>\$ (21,523)</u>	<u>\$ (21,523)</u>	<u>\$ (2,290)</u>	<u>\$ 19,233</u>

CITY OF WAKEFIELD, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GARBAGE FUND  
Year ended June 30, 2007

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Landfill fees	\$ 133,000	\$ 133,000	\$ 130,702	\$ (2,298)
Garbage bags	11,000	11,000	12,048	1,048
	144,000	144,000	142,750	(1,250)
Intermediate sources:				
Township services	30,000	30,000	29,250	(750)
	174,000	174,000	172,000	(2,000)
Expenditures:				
Community services:				
Payroll	49,900	49,900	41,540	8,360
Garbage bags	8,500	8,500	14,051	(5,551)
Landfill	79,500	79,500	85,869	(6,369)
Administration	3,200	3,200	3,201	(1)
Rental	28,800	28,800	8,265	20,535
	169,900	169,900	152,926	16,974
Excess of Revenues over (under) Expenditures	4,100	4,100	19,074	14,974
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	4,100	4,100	19,074	14,974
Fund balance at beginning of year	11,259	11,259	11,259	-
Fund balance at end of year	\$ 15,359	\$ 15,359	\$ 30,333	\$ 14,974

## OTHER REPORTS

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# DAVID TRACZYK

## Certified Public Accountant

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### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Member of the Council  
City of Wakefield  
Wakefield, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wakefield, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City of Wakefield, Michigan's, basic financial statements and have issued my report thereon dated March 4, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Wakefield, Michigan's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Wakefield, Michigan's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the City of Wakefield, Michigan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Wakefield, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Wakefield, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Wakefield, Michigan's internal control. I consider the deficiencies described as follows to be significant deficiencies in internal control over financial reporting.

Three reportable conditions are described as follows:

#### 2007-1 Inventory Records

Condition and Criteria: The City did not maintain adequate records to support the inventory of supplies.

Effect: Because adequate records were not maintained, the amounts reported as supplies inventory could not be verified. This resulted in a qualified opinion on the financial statements.

Recommendation: I recommend that the accounting personnel receive proper training and supervision.

Response: We concur with the recommendation and have retained additional help.

#### 2007-2 Fixed Assets

Condition and Criteria: The City has not updated its general fixed assets ledgers or enterprise fund asset ledgers for many years.

Effect: Because of the failure to properly maintain the fixed asset accounts, proper control over these assets cannot be achieved.

Recommendation: It is recommended that all fixed asset accounts be updated and maintained as an integral part of the City's accounting system.

Response: We concur with the recommendation and have begun the process.

#### 2007-3 General Accounting Procedures

Condition and Criteria: City personnel have not been able to timely prepare the general accounting records, including the general ledger and financial statements. The prior 2 years and a portion of the year ended June 30, 2007, were prepared by an outside accounting firm.

Effect: Because timely reports were not available, the City was not aware of budget over-runs and deficits that existed. In addition, a deficit elimination plan was not timely prepared and the audited financial statements were not timely filed.

Recommendation: I recommend the accounting responsibility be assigned to another person.

Response: The City has made arrangements for these responsibilities to be transferred.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Wakefield, Michigan's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wakefield, Michigan's financial statement are free of material misstatement, I performed tests of it's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as follows:

#### 2007-4 Repeat Findings

Condition and Criteria: Internal control findings 2007-1 and 2007-2 have been noted in the past several audits.

Recommendation: I recommend that action be taken to correct these deficiencies.

Response: The City plans to address the issues.

#### 2007-5 Deficits and Budget Overruns

Condition and Criteria: The City ended the year with deficits in the general, library, and cemetery funds. When this occurs, the City should file a deficit elimination plan within 90 days of year end and a plan was not filed. The City also exceeded budgeted expenditures in the general fund.

Effect: This condition resulted in noncompliance with state accounting procedures.

Recommendation: I suggest that the responsibility for preparation of the accounting records be assigned to other personnel.

Response: The City has made arrangement for these responsibilities to be transferred.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

March 4, 2008